

FISCAL NOTE

SB 437 - HB 453

February 16, 2005

SUMMARY OF BILL: Exempts the retail sale of bread, milk, and liquid milk products from state and local option sales tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$54,600,000

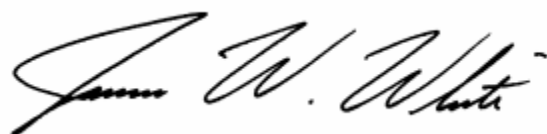
Decrease Local Govt. Revenues - \$23,800,000

Assumptions:

- Annual sales tax revenue generated from food is approximately \$420.0 million for state and \$165.0 million for local governments.
- The Bureau of Labor Statistics estimates that 4% of all household expenditures are for the purchase of milk or cream and 9% is for bread and bakery products.
- Estimated decrease in state revenue is approximately \$54.6 million ($\$420.0 \text{ million} \times 13\% = \54.6 million).
- 4.2462% of state sales tax revenue is appropriated to the municipalities within Tennessee.
- Reducing state sales tax revenue by \$54.6 million reduces local government revenue by \$2,318,425 ($\$54.6 \text{ million} \times 4.2462\% = \$2,318,425$) from reduced allocation of state sales taxes to local governments.
- Exempting food sales from the local option sales tax reduces local government revenues approximately \$21.45 million ($\$165.0 \text{ million} \times 13\% = \21.45 million).
- The Streamlined Sales Tax Agreement, to begin on July 1, 2005, allows a state to levy a special tax rate on food. This bill would change the tax rate on two articles of food but leave the rest taxed at 6%. Such a change would take Tennessee out of compliance with the Streamlined Sales Tax Agreement.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



SB 437 - HB 453

